

those assertions in its January 15, 1997 response to Brooks Fiber, which Ameritech Michigan incorporates herein by reference. The remaining items are not well taken.

Brooks Fiber now claims that it is submitting a "partial listing" of alleged problems, that "this is by no means an exhaustive list," and that it describes a "representative sampling" of incidents. This material had not been provided to Ameritech Michigan before Brooks Fiber's filing. With regard to its allegations of unfair competition, Brooks Fiber claims to have received "many reports," and that Ameritech employees "frequently" make disparaging statements – however, there are only three reports attached which relate to alleged unfair competitive activity. Brooks Fiber also does not identify what legal standard Ameritech Michigan has purportedly violated in its allegedly unfair competitive activity. There is no specific allegation that Ameritech's conduct violates any provision of the Michigan Telecommunications Act or the federal Act or the approved interconnection agreement.

As was pointed out in Ameritech Michigan's initial response to Brooks Fiber filed on January 15, 1997, the interconnection agreement between the parties contains a dispute resolution process which is expressly designed for resolving the type of operational issues asserted by Brooks Fiber. None of these issues have been brought to Ameritech Michigan's attention through the process described in the parties' interconnection agreement.

Moreover, the Michigan Telecommunications Act authorizes the filing of a complaint by Brooks Fiber if Ameritech Michigan has violated any provision of the Michigan Telecommunications Act or any Commission order.

The Ameritech Information Industry Services (AIIS) account manager responsible for Brooks Fiber has been in contact with Brooks Fiber regarding these matters since its filing was made. Attached is a letter to Brooks Fiber dated January 30, 1997. Ameritech Michigan will continue to make every effort to work

with Brooks Fiber to resolve any and all operational and technical issues or concerns raised by Brooks Fiber.

Brooks Fiber also attached to its latest filing a number of reports generated on a standard form entitled "Ameritech Incident Report." This information was provided to Ameritech Michigan for the first time in this proceeding, rather than via the dispute resolution process in the interconnection agreement between the parties. Ameritech Michigan has requested unredacted copies of these incident reports, which Brooks Fiber has agreed to provide. Once this information is received, Ameritech Michigan can fully investigate and take appropriate action in response. Ameritech Michigan will share the results of its investigations and specific responses with Brooks Fiber, and will continue to do so on an ongoing basis as any other incidents arise in a continuing effort to improve its service to Brooks Fiber as a valued customer.

Subject to the foregoing, Ameritech Michigan submits the following information regarding the issues in Brooks Fiber's January 17, 1997 letter.

**1. "Unfair Competition"**

Brooks Fiber and Ameritech Michigan are engaged in competition for local exchange customers in western Michigan. As part of that competition, Ameritech Michigan's retail units seek to convince existing customers to stay with Ameritech Michigan and customers who have decided to take service from Brooks Fiber to return to Ameritech Michigan. A competitive market functions in just this way. However, Ameritech Michigan has not engaged in any unlawful activity, and the competition between the two companies is not in any sense "unfair," as alleged by Brooks Fiber.

Ameritech's retail units have formed a "winback" group to address competition for their customers. This group was not formed to specifically target

Brooks Fiber's customers. It was formed to address competition overall. This group is not part of the AIIS customer service unit which services the Brooks Fiber account. Nor is any customer information shared between the AIIS customer service unit and the "winback" group.

Ameritech Michigan shares Brooks Fiber's concerns regarding any unprofessional conduct of Ameritech Michigan employees. It is not acceptable conduct for an employee to disparage the service of any carrier. Ameritech Michigan is interested in any specific situations and is prepared to take appropriate action with such employees. In addition, as described in Ameritech Michigan's filing of January 15, 1997, at page 12, Ameritech Michigan has taken several measures to ensure its technicians understand the current competitive environment and appropriate behavior in interacting with competitors' customers.

All requests for Customer Service Records (CSRs) by Brooks Fiber should be made through the AIIS Service Center in Milwaukee. Ameritech service representatives there are trained on the proper handling of CSR requests. These employees are bound by a code of conduct which they must sign which prevents them from disclosing customer proprietary information. Instances of employees passing on CSR information, as Brooks Fiber suggests, would be in violation of this code and would warrant disciplinary action, up to and including dismissal. However, there are many instances where customers who are considering or have ordered Brooks Fiber service may have direct contact with Ameritech Michigan's retail units. It is in these instances that "winback" activity may occur. This activity is the essence of competition.

Ameritech Michigan provides directory assistance to Brooks Fiber customers and will continue to do so. Any Ameritech Michigan employee who has indicated that a Brooks Fiber customer would be dropped from directory assistance

has provided that customer with misinformation and would be subject to disciplinary action.

## **2. "Tying Arrangements"**

Brooks Fiber's allegations regarding existing customer contracts were addressed in Ameritech Michigan's January 15, 1997 filing at pages 4-5. Again, it appears that Brooks Fiber's intention is to reassert their demand for abrogation of existing, valid customer contracts.

## **3. "Discriminatory Treatment"**

Ameritech Michigan does not discriminate in providing Brooks Fiber service. Ameritech Michigan provides Brooks Fiber with loops in accordance with standard intervals where no dispatch is required. Where outside dispatch is required, orders are given intervals based on force/load volumes. The force/load system is a shared resource across all Ameritech Michigan orders and does not discriminate based on type of customer. In cases where the due date is negotiated or is considered a "project," Ameritech Michigan attempts to meet the customer's request. If this cannot be done, Ameritech Michigan will install the service as soon as possible after the requested due date, subject to force/load considerations and the status of the loop (new or reused).

In some instances, it may become necessary to redeploy technicians from installation work to address maintenance cases. Maintenance work receives priority status over new installations. However, technicians are redeployed to address maintenance cases across the entire Ameritech Michigan customer base. Technicians are not reassigned from customer installations to perform work exclusively for Ameritech Michigan retail customers. Redeploying technicians is

only a short term measure which is used to address extreme maintenance cases caused by severe weather or other *force majeure* situations.

The issue raised by Brooks Fiber concerning the network interface device (NID) was addressed in Ameritech Michigan's January 15, 1997 filing at pages 2-4.

**4. "Failure To Provide Reliable Operations Support Systems (OSS)"**

Ameritech Michigan's January 15, 1997 filing addressed OSS issues at pages 5-7. Without specific purchase order numbers, Ameritech cannot investigate the circumstances surrounding the 90 firm order commitments (FOCs) which Brooks Fiber claims it failed to receive. However, Ameritech Michigan does have current data which indicates that Ameritech Michigan is creating files containing FOCs, and Brooks Fiber is electronically retrieving them in a timely manner. Examples of the data are attached.

**5. "Failure To Provide Billing In Electronic Format"**

Ameritech Michigan continues to work with Brooks Fiber in response to their recent requests to receive billing in an electronic format. This issue was addressed at page 7 of Ameritech Michigan's January 15, 1997 filing. AIIS account manager Eric Larsen contacted Mr. John Jennings (see attached letter) on January 15, 1997, detailing several critical issues that needed to be resolved by Brooks Fiber before Ameritech Michigan could proceed with providing electronic billing. In an attempt to move the issue to closure, AIIS' account manager contacted Mr. Jennings of Brooks Fiber on January 17, 1997 to resolve the open items. Per Mr. Jennings' request, the effort to move to an electronic billing format has been postponed while Ameritech assists Brooks Fiber in determining the affected billing

account numbers. Ameritech Michigan and Brooks Fiber personnel continue to work this issue.

It should be recognized, however, that Ameritech Michigan does offer an electronic interface – CABS – for billing unbundled network elements, including unbundled loops. Ameritech Michigan has used the CABS system since shortly after divestiture to bill IXCs for carrier access charges and since April 1995 to bill requesting carriers for unbundled loops. Carriers have three options for receiving their bills from the CABS OSS interface. The electronic interface will generate a written bill, and Ameritech Michigan will mail the bill to the carrier. The electronic interface also will create a magnetic tape of the bill, and Ameritech Michigan will mail the tape to the carrier. Finally, the electronic interface will create the bill and transfer it electronically to the carrier. All three options are currently in use. Regardless of which format the carrier selects to receive its bill for unbundled network elements, the same electronic interface is used to create the bill.

#### **6. "Poor Coordination Of Customer Cutovers"**

This issue was addressed at pages 9-10 of Ameritech Michigan's January 15, 1997 filing. In addition, Messrs. Dunny, Mickens, and Mayer describe in detail the processes that have been initiated for operational implementation in their affidavits previously submitted herein.

Ameritech Michigan recognizes that in some cases, scheduling of cutovers or installations may not meet a specific customer's needs. However, Ameritech Michigan is required to manage resources for the overall parity treatment of its entire customer base.

Ameritech Michigan will address with Brooks Fiber any specific instances when service has been cutover prior to the scheduled time, cutovers are

not begun at the scheduled time, inaccurate information has been provided, improper installations are performed, or any lack of cooperation is exhibited.

#### **7. "Missed Installation Dates"**

Ameritech Michigan endeavors to meet every installation commitment date on time. There are, however, occasions when due dates are not met that can be attributed to the end user, the reseller, or Ameritech Michigan. In spite of the additional coordination and scheduling required for the installation of unbundled loops, Ameritech met 95% of all of its unbundled loop orders in 1996. The measurements for Brooks Fiber for due dates not met for the months for which data was available in 1996 are:

<u>Month (1996)</u>	<u>Due Dates Not Met</u>
August	2.3%
September	0%
October	1.3%
November	6.5%
December	7.5%
1996 YTD	4.8%

#### **8. "Misinformation"**

Without any specific facts, at this time, Ameritech Michigan is unable to provide information. Ameritech Michigan will provide an analysis of specific information as soon as it is received.

#### **9. "Refusal To Provide Unbundled Services"**

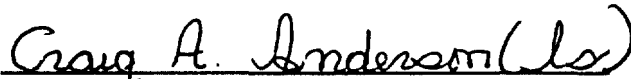
Without knowing the specific services Brooks Fiber is referring to, it is impossible to address this assertion. Ameritech provides to Brooks Fiber all products and services required by the Michigan statute, the federal Act, and the

FCC order, and is willing to provide other products and services in accordance with the parties' negotiated agreement.

There is currently a situation in which Brooks Fiber has requested assumption or cutover of customer accounts which have OPXs (off-premises extensions) on them. OPXs are currently not an unbundled service offering. Ameritech is working with Brooks Fiber to provide for these services outside the unbundled service offering in accordance with the negotiated interconnection agreement.

Respectfully submitted,

**AMERITECH MICHIGAN**

  
**CRAIG A. ANDERSON** (P28968)  
444 Michigan Avenue, Room 1750  
Detroit, Michigan 48226  
(313) 223-8033

DATED: January 31, 1997



01-31-1997 10:30

P.02

Information Systems Services  
550 North Orleans  
Lynch, J.  
Michigan, IL 6054  
Phone 312-224-5108  
312-224-5108

Erie Laramie  
Account Manager



January 31, 1997

Via Fax: 616-224-5108

Martin Clift, Jr.  
Brooks Fiber Communications  
2955 Oak Industrial Drive, NE  
Grand Rapids, Michigan 49548

Dear Marty:

I have been provided a copy of the letter sent by Todd Stein of Brooks Fiber to Dorothy Wideman at the Michigan Public Service Commission (M.P.S.C.). I feel that the letter focuses on day-to-day operational issues that can be immediately addressed through the joint efforts of both our organizations.

A joint operations meeting has been scheduled with Brooks Fiber for February 12, 1997 in Grand Rapids. The operational issues noted by Brooks Fiber with the M.P.S.C. can be addressed at the meeting. However, the objective of the meeting is to fully address the operational concerns, questions, and issues identified by Brooks Fiber related to the ongoing interconnection activities between our companies. If there are other issues other than those identified by Brooks Fiber with the M.P.S.C., it would be beneficial to provide these to me in advance of the meeting. This will allow me to schedule the appropriate individuals for the meeting.

The meeting will also present the opportunity to review the Brooks Fiber monthly performance summary reports generated by Ameritech. Ameritech will be generating these reports on a monthly basis and would like to present them in our regular operations meetings.

In addition, the billing meeting you assisted me in coordinating will be conducted on February 19th in Grand Rapids. The objective of the meeting is to address all billing issues related to our interconnection activities. The meeting is scheduled to last the entire day to ensure sufficient time to address all issues. I would like to suggest that we conduct subsequent meetings on a monthly basis until both organizations agree that all billing processes and procedures are effectively in place and working as desired. Thanks for your efforts in pulling together the meeting.

01-31-1997 10:30

P. 03

Also, please note that the Interconnection agreement executed by Brooks Fiber and Ameritech includes a Dispute Escalation and Resolution section (Section 28.19). The section allows either party to escalate issues, disputes, or controversies related to the interconnection activities between Brooks Fiber and Ameritech to a higher level of management. If Brooks Fiber is dissatisfied with the efforts of Ameritech to adequately address the day-day operational requirements of Brooks Fiber or specific issues identified by Brooks Fiber, I would encourage you to use the dispute escalation remedy outlined in the interconnection agreement.

I will call you on Monday to further discuss the operations meeting. In the interim, please free to call me should you have any questions. I can be reached at 312-335-8784.

Sincerely,



cc: Craig Anderson  
Ray Thomas  
Neil Cox

JAN 29 '97 13:46 FR AMERITECH

312 335 7103 TO 913134969326

P.08

JAN 29 '97 12:52 FR ALDIS STAFF - LIUN 313 266 4268 TO 913123357171

P.02/15

07206341

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01/29/97 12:21

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TO SEND: 0000002

\*\* ROSTER \*\*

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YES	PVMOB.CYG000001.D970111.O0612836	01/11/97	14:07:10	14:07:35
YES	PVMOB.CYG000001.D970113.H1259445	01/13/97	9:41:32	9:41:59
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YES	PVMOB.CYG000001.D970113.L5827461	01/13/97	13:08:39	13:09:35
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up file

Shows date  
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file 1-13-97

Shows date  
Brackets picked  
up info.

01-31-97 11:19AM FROM MICH. BELL LAW DEPT. TO CHAR HOFFMAN

P007/010

312 335 7103 TO 913134969326

P.09

JAN 29 '97 12:52 FR ALDIS STAFF - LION 313 266 4260 TO 913123357171

P.03/15

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01/29/97 12:21

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\*\* ROSTER \*\*

TRANSMISSION TIMES

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DATE START END

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YES	PVM0B.CYG00001.D970114.05453624	01/14/97	10:31:36	10:31:57
YES	PVM0B.CYG00001.D970114.03306115	01/14/97	12:04:10	12:05:22
YES	PVM0B.CYG00001.D970114.15548237	01/14/97	12:05:22	12:05:54
YES	PVM0B.CYG00001.D970114.00348418	01/14/97	12:05:54	12:06:30

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P008/010

JAN 29 '97 13:47 FR AMERITECH

312 335 7103 TO 913134969326

P.18

JAN 29 '97 12:52 FR ALDIS STAFF - LION

313 266 4268 TO 913134969326

P.18/15

7206341

\* APTS FILE TYPE \*

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01/29/97 12:21

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TO SEND: 0000002

TRANSMISSION TIMES

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YES	PVMOB.CYG000001.D970114.V0357783	01/15/97	13:38:02	13:38:47
YES	PVMOB.CYG000001.D970115.J4752411	01/15/97	13:38:47	13:39:12
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01-29-97 02:38PM P010 #03

313 496 9326

PAGE 08

JAN 29 '97 13:45 FR AMERITECH

312 335 7103 TO 913134969326

P.06

Information Industry Services  
350 North Orleans  
Floor 3  
Chicago, IL 60664  
Office 312/335-8764  
Fax 312/335-2827

Erie Larsen  
Account Manager



January 15, 1997

Via Fax: 314-878-3211

Mr. John Jennings  
Brooks Fiber Properties  
425 Woods Mill Road South, Suite 300  
Town and Country, Missouri 63107

Dear John:

In the course of fulfilling your request to receive Ameritech invoices in electronic format, a number of questions have been raised by our billing system analysts. A brief overview of Ameritech's electronic billing capabilities follows to provide some background relative to these questions.

Electronic billing for accounts compiled in Ameritech's Carrier Access Billing System (CABS) are available in Bill Data Tape (BDT) format. These files can be accessed through a Network Data Mover (NDM) arrangement or provided on cassette tape. Presently, Brooks Fiber has special access, end office integration, collocation, and unbundled loops billed in the CABS system.

Electronic billing for accounts billed in Ameritech's ACIS billing system are compiled in Ameritech's Electronic Billing System (AEBS) format. These files are also available via NDM or on cassette tape. Brooks Fiber's number portability accounts are billed in the ACIS billing system.

CABS accounts set-up for electronic billing are identified by the Access Carrier Identification Code (ACNA) provided by a carrier to Ameritech. Files are created according to state and bill period, based on the ACNA(s) provided by the carrier. Multiple bill periods in a state will result in multiple files being created for that state. The use of multiple ACNAs in a state will also result in the creation of multiple files for each state.

Two ACNAs exist in our billing systems for Brooks Fiber - CYG (City Signal) and BFC (Brooks Fiber Communications). CYG was the ACNA used prior to the merger of US Signal with Brooks Fiber. As noted above, the continued use of two ACNAs by Brooks Fiber will result in additional files being generated for electronic billing. We have continually noted the use of multiple ACNAs by Brooks Fiber in our ordering, provisioning and billing systems to Brooks Fiber personnel in Grand Rapids. However, to date, Brooks Fiber has not provided any direction as to whether or not one ACNA should be recognized in our systems. We will continue to recognize both ACNAs in our systems until further direction is provided by Brooks Fiber.

January 15, 1997  
John Jennings  
Page 2



The following questions have been raised concerning your electronic billing request and need to be addressed so that we may accurately meet your electronic billing requirements:

- Should all Brooks Fiber accounts in CABS and ACIS accounts be billed in electronic format?
- Will you be accessing these files via NDM? If so, what is your present NDM arrangement with Ameritech?
- If the files are provided via tape, where will the files be sent?
- Will Brooks Fiber continue to use two ACNAs?
- If one ACNA will be used by Brooks Fiber, should the existing Brooks Fiber services assigned to the CYG ACNA be changed to BFC?

The unbundled loop accounts you originally requested be converted to electronic billing have been flagged in our system and are ready to be converted. The final processing of these accounts can be completed once the questions raised by our billing analysts have been addressed. The conversion of the remaining Brooks Fiber accounts identified in our CABS and ACIS billing systems to electronic billing also needs to be addressed.

I will call you on Friday, January 17, 1997 to discuss these matters further. Should you need to contact me before then, please feel free to call me at 312-335-6764.

Sincerely,

A handwritten signature in dark ink, appearing to read "Eric Larsen", written over a horizontal line.

Eric Larsen  
Ameritech

**KATHLEEN F. O'REILLY**

ATTORNEY AT LAW

414 A STREET, SOUTHEAST

WASHINGTON, D. C. 20003

(202) 543-5068

(202) 547-5784 FAX

January 31, 1997

MICHIGAN PUBLIC SERVICE  
FILED

Ms. Dorothy Wideman  
Executive Secretary  
Michigan Public Service Commission  
6545 Mercantile Way  
Lansing, Michigan 48911

JAN 31 1997

COMMISSION

**Re: Case No. U-11104**

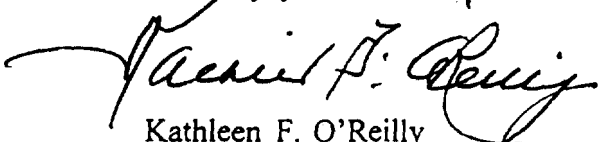
**Comments of the Michigan Consumer Federation  
to Submission of Ameritech Michigan's Submission**

Dear Ms. Wideman:

Enclosed please find the original and fifteen copies of the Comments of the Michigan Consumer Federation to the Submission of Ameritech Michigan's Submission in this proceeding. Also enclosed is a Proof of Service upon the Parties of Record.

Do not hesitate to contact me if there are any questions or need for clarification.

Sincerely yours,



Kathleen F. O'Reilly  
Attorney for the Michigan Consumer Federation



BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Commission's  
own motion, to consider Ameritech  
Michigan's compliance with the  
competitive checklist in Section 271  
of the Telecommunications Act of 1996.

MICHIGAN PUBLIC SERVICE  
FILED  
Case No. U-11104  
JAN 31 1997  
COMMISSION

COMMENTS OF THE MICHIGAN CONSUMER FEDERATION  
RELATED TO THE SUBMISSION OF INFORMATION BY  
AMERITECH MICHIGAN

In accordance with the MPSC's Order Establishing Procedures dated August 28, 1996,<sup>1</sup> the Michigan Consumer Federation (MCF), by its attorney, submits these Comments, responding to Ameritech Michigan's Submission of Information (and Response to Attachment A of that Order) filed on November 12, 1996; its Submission of Information in Response to Attachment B of that Order filed on December 16, 1996; its December 27, 1996 filed Submission of Information Requested by Staff; the Supplemental Information Filing of January 16, 1997, and the Second Supplemental Information filed on January 24, 1997.<sup>2</sup>

The Michigan Consumer Federation is a coalition of thirty organizations representing over 400,000 Michigan residents. It

<sup>1</sup> In the Order at p. 3, the Commission states, "At any time, parties may file information related to specific checklist items or market conditions." At page 4 it states, "Interested parties may file such information as they believe necessary for the Commission's decision at any time during the pendency of this matter."

<sup>2</sup> The absence of MCF comments on each of the competitive checklist items should not be construed as support for Ameritech Michigan's assertion that it is in compliance with the checklist requirements.

was founded in 1991 to advocate for the interests of Michigan consumers in the shaping of public policy on issues before the Michigan Legislature, state executive branch agencies, the United States Congress, and federal regulatory bodies. A Notice of Interest in this proceeding was filed by the MCF on August 28, 1996.

#### **Summary of MCF's Position**

o **Interest of residential ratepayers.** In sheer numbers and magnitude of vulnerability, residential ratepayers of Ameritech Michigan have the most to lose from the premature and inappropriate authorization of Ameritech Michigan to enter the long distance market.

o **MPSC urged to not verify Ameritech Michigan's Submission<sup>3</sup> and to provide further comments to the FCC.** In its consultation with the FCC, the MPSC is urged to find Ameritech Michigan's submission premature and inadequate for verification. The Commission is also urged to submit comments to the FCC regarding additional issues which the FCC must address as part of its Sec. 271 evaluation process. Of particular importance are Sec. 272 separate affiliate and safeguard issues, and Sec. 271(f)(3) issues related to the public interest, convenience and necessity.

o **Market Conditions in Michigan Confirm Absence of Competition** Application of relevant competitive indicators to market conditions five years after implementation of the Michigan Telecommunications Act (MTA)<sup>4</sup>, demonstrates that the local Michigan market is neither currently nor imminently competitive.

o **Provider Choice** In a competitive market consumers would have a meaningful choice of providers. Less than one tenth of one percent of local residential telephone customers in Michigan are served by a competitive provider, largely residential customers living in high rise buildings adjacent to office buildings served by a competitor.

o **Rates** In a competitive market historically monopolistic rates would be lowered. Ameritech Michigan has raised, not lowered basic local rates of residential customers. Its

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<sup>3</sup> State Commission Consultation pursuant to Sec. 271(d)(2)(b) of the Telecommunications Act of 1996, P.L. 104-104, codified at Title 47 of the United States Code, Secs. 251 et seq. (also referred to herein as the federal act).

<sup>4</sup> Michigan Telecommunications Act, 1991 PA 179, as amended, MCL 484.2101, et seq. MSA 22.1469 (101) et seq., (MTA)

local rates (as measured by revenue per line) is in fact one of the highest in the country. Even as costs have gone down, local rates have more than tripled for unlimited flat service subscribed to by a majority of households.

- o Ameritech Michigan attempts to distract attention from the absence of competition by justifying its failure to lower basic rates on the assertion that they are priced below cost and subsidized by other rates. Local residential rates have not been subsidized. Ameritech Michigan's recently<sup>5</sup> filed "rate rebalancing" request must be denied because it would impede local competition and is unjustified. "Rate rebalancing" is in fact an effort to accumulate additional excess rates from captive customers to be used in gaining still further competitive advantage. Ameritech Michigan's earnings have continued to surge. Any losses sustained are not because local rates are priced below cost (which they are not), but because of the financial drain from Ameritech's burgeoning and sometimes unprofitable diversification.

- o Other local rates that have been raised since passage of the MTA include public pay phones (with additional costly consequences from the elimination of the 20-mile radius), custom-calling features and non-recurring charges.

- o Additional heavy burdens imposed on low-income consumers include the closing of all payment centers and mandatory Touch Tone for all new customers.

- o Those Ameritech Michigan enhanced rates that have been lowered are largely promotional or discount rates; its pricing of Touch Tone is at odds with a competitive local market.

- o Ameritech's pricing strategy for CCLC and intraLATA toll charges in its region, demonstrates its market view that it faces even less of a competitive threat in Michigan than in the other four Ameritech region states.

- o Innovation/New Services In a competitive market there would be innovation and new service offerings to residential customers. Ameritech Michigan is an imitator not an innovator. It has not been spurred by competition to innovate or to offer new services responsive to residential

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<sup>5</sup> submitted January 22, 1997

consumer demands; it is largely promoting pre-MTA services or providing its variation of the service offerings of other providers.

o Service Quality In a competitive market residential customers would have quality service. Ameritech Michigan has not yet fulfilled its promise to improve service quality. Instead it has abdicated its commitment. The serious and alarming decline in local service is evidenced not only by various reports but by the large and angry outpouring of customers in attendance at the regional public meetings the MPSC hosted last fall. Even the largest potential competitive player in the state has filed a complaint<sup>6</sup> against Ameritech Michigan for serious quality of service deficiencies.

o Network Disinvestment In a competitive market Ameritech Michigan would not neglect the network and infrastructure. Although Ameritech Michigan traditionally had provided a stable level of network investment, and implicitly promised to increase investment in the infrastructure upon passage of the MTA, there has been a steady decline since passage of the MTA and the corresponding management shift which began in 1992. Beginning in 1993 and increasing each year thereafter, Ameritech Michigan is now disinvesting in the network, most recently by a net disinvestment of 1.1 billion dollars. This is in direct opposition to the statutory purpose of the MTA which called for increased investment in the infrastructure in response to the deregulation and rate relief the statute provided.

The foregoing market conditions evidence a noncompetitive local market in Michigan. Withholding regulatory authority over Ameritech Michigan entry into long distance is the indispensable, and the only incentive for breaking up the local bottleneck and achieving competition in Michigan's local market.

o **Competitive Checklist: Non Compliance** It is premature to conclude that the competitive checklist requirements have been met. For example, Ameritech Michigan has not yet substantially performed according to the interconnection and resale agreements it submitted. Implementation has not yet taken place of various recommendations that were included by arbitrators and adopted in Commission Orders in approving the agreements.

**Emergency Services** Of particular concern to residential ratepayers is Ameritech's noncompliance with various competitive checklist items such as those related to emergency services and

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<sup>6</sup> Case No. U-11240.

dialing parity. The complaint filed by the City of Southfield illustrates the problem when incumbents such as Ameritech Michigan do not maintain a timely update of the 911 data bank to include information about the customers who switch to a competitor, information needed for those who administer 911 assistance.

**Dialing Parity** Although dialing parity is as essential to launching meaningful local competition as it was to long distance competition, Ameritech Michigan has defied MPSC requirements and sued to stop its dialing parity requirements. That case is now pending in the Michigan Supreme Court and until resolved, and in the absence of dialing parity, any reasonable level of local competition is impossible.

#### **Other Issues**

o **Sequencing** There is a critical sequencing of Sec. 251 with Sec. 271, not only as a necessary link to ensure local competition, but to ensure that the gains of long distance customers will not be at the expense of local customers.

o **Cross-Subsidization** The competitive checklist review is inseparable from statutory prohibitions of cross-subsidization.

o **Monopoly Revenue Streams** Local competition cannot occur if Ameritech Michigan continues to collect excess monopoly revenues for use in gaining competitive advantage. The FCC should be urged to curtail Ameritech Michigan monopoly revenue streams from excess access charges and Ameritech Michigan's current price cap formula before entry into long distance takes effect.

o **Various Final Rules Essential as Safeguards are Not Yet in Place. Resources Necessary for Enforcement are Not Yet in Place** Before entry into long distance takes effect, final pricing and costing rules must be put in place at the federal and state levels and sufficient enforcement resources committed to ensure, for example, that an appropriate share of Ameritech Michigan's joint and common costs are shared by its long distance customers.

Currently the MPSC and FCC lack authority to collect the meaningful data necessary to protect ratepayers against cross-subsidization and to make meaningful data collected publicly available for review. Such authority and regulatory resources must be reinstated if meaningful competition is to emerge.

**Absence of Administrative Procedures** Of practical concern to ratepayers is the absence of administrative procedures as a framework for handling the day-to-day problems already being faced by customers who have switched to a competitor. For example, as between Ameritech Michigan and competitive providers, how do customers identify which entity is responsible for

problems being encountered? The lack of administrative procedures also impedes provider accountability and contributes to consumer confusion in trying to determine whether customers must seek redress with the MPSC, or whether in a "competitive" environment, they now have recourse in court.

**o Ameritech's Spiralling Diversification and Emphasis on One-Stop Shopping Strategy as Management Distractions** The single-minded emphasis that Ameritech management has been placing on diversification and one-stop shopping may prove as imprudent and ultimately misguided as similar strategies pursued by electric companies, Sears, Mobile and countless other corporations. The resulting distraction is at the expense of attention to the core business and network that most customers must rely upon for the foreseeable future.

**o Need for Preliminary Investigation of ACI/Ameritech Michigan Transactions** Before entry into long distance is authorized, regulators must investigate questionable transactions between ACI and Ameritech Michigan to protect ratepayers against cross-subsidization.

**o Need for Preliminary Investigation of Ameritech's Insurance Procurement Practices** Before entry into long distance is authorized, regulators must investigate the prudence of Ameritech's insurance procurement practices. Because of significant but typically overlooked circumstances, high risk diversified activities, even if conducted within fully separate subsidiaries, put captive ratepayers at an unreasonable risk that must at least be minimized.

**o Important Lessons from Divestiture including the Need for Regulators to Assume their Consumer Education Responsibilities.** Important regulatory lessons must be learned from the experience of divestiture as it affected residential telephone customers. One such lesson is an understanding of the important role regulators must play in providing consumer education, both to protect consumers during the transition to a competitive market and as a stimulus of competition.

## **I. Introduction**

In sheer numbers and magnitude of vulnerability, residential ratepayers have the greatest stake in Ameritech Michigan's application for long distance authority. The Order Establishing Procedures included Attachments A (General Market Conditions in Michigan) and B (Information related to Checklist Items) with

specific questions posed that are understandably framed so as to be answered not by ratepayers, but rather from the perspective of entities seeking access and interconnection from Ameritech Michigan. However, telephone ratepayers, including those represented by MCF, have a substantial, and indeed as recognized by Ameritech Michigan the *ultimate* interest in how the Michigan Public Service Commission evaluates Ameritech Michigan's compliance with the competitive checklist.

Although the competitive checklist is one narrow consideration in the determination of whether interLATA authority should be granted, it cannot be reviewed in isolation from the rest of the federal act. The checklist is an important but not the only indicator of whether the required circumstances are in place for Ameritech Michigan's entry into long distance. Safeguards must also be in place and enforced.

By way of analogy, the examination of every bone identifies whether there has been a fracture but is not determinative of whether the body is healthy. Implicit in the specialization an orthopedic physician brings to bear during that exam is the overriding consideration of the body's vital signs. A body with no broken bones, but also no pulse or brain waves is hardly a healthy body. Similarly, even at the point there has been compliance with Sec. 271's specialized checklist items, regulators must ensure that the vital signs have also been examined. Among those safeguards are the prohibition against

cross-subsidization as well as the statutory commitment that consumers have a right to quality service. Statutory commitments are not confined to specific review sections of the law. They are essentially meaningless if they are not implicitly and explicitly treated as vital in every such regulatory review under the statute, even as they are also included in the MTA.

Ameritech Michigan's assertion that it is in compliance with the checklist remains premature. But strict attention to the statute's safeguards, and not just the competitive checklist, will continue to be essential even if in the future Ameritech Michigan can demonstrate such checklist compliance. Otherwise instead of healthy competition as intended, it will be as fatuous to characterize the market as competitive just because of "checklist" considerations, as it is to be pleased that a cadaver has no broken bones.

Residential ratepayers have the greatest stake both in how the Commission consults with the FCC in the checklist aspect of its review, and in urging the Commission to also communicate to the FCC its views on safeguards and other factors that are preconditions of Ameritech Michigan entry into long distance under the Telecommunications Act of 1996.

In its Comments, MCF discusses the nature of Michigan's general market conditions as experienced by residential ratepayers since passage of the MTA, as well as various public interest, separate affiliate and safeguard considerations



dictated by both the Michigan Telecommunications Act and the federal act. MCF also discusses examples compelling the conclusion that granting Ameritech Michigan long distance authorization at this time would be premature not only because of Ameritech Michigan's noncompliance with the checklist, but because numerous rules are not yet in place.

For example, to proceed with unconditional authorization even before it is known what costing and nonstructural affiliate safeguards will apply, what administrative procedures apply, and before Ameritech Michigan's monopolistic revenue streams from interstate access and price cap revenue streams have been adjusted downward, would violate the structure and spirit of the Telecommunications Act of 1996. It would also render meaningless the statute's prohibition against cross-subsidization and commitment that customers have a right to quality service.

Although MCF does not have expertise to address the technical aspects of the various checklist points, an observation is in order. The MPSC has not hesitated to interject common sense and everyday experience into its technical reviews related to competitive issues.<sup>7</sup> Common sense and everyday experiences need not be excluded from this verification review process when, as here, they are consistent with the law and the technical factors at issue.

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<sup>7</sup> e.g., *In the Matter of the Complaint of Sprint Communications, Co., v. Ameritech*, Case No. U-10138. August 1, 1996.